

GRAY DAVIS
GOVERNOR



GRANTLAND JOHNSON
SECRETARY

**Agency
Departments &
Boards:**

Aging

Alcohol and
Drug Programs

Child Support
Services

Community Services
and Development

Developmental
Services

Emergency Medical
Services Authority

Employment
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Health Services

Health and
Human Services
Data Center

Managed Risk
Medical Insurance

Mental Health

Rehabilitation

Social Services

Statewide Health
Planning and
Development

Workforce
Investment

State of California

Health and Human Services Agency

DATE: December 20, 2000

TO: ALL INTERESTED PARTIES

FROM: GRANTLAND JOHNSON *Grantland Johnson*

SUBJECT: **HEALTHY FAMILIES DEMONSTRATION PROJECT
COVERAGE OF PARENTS
TITLE XX1-1115 WAIVER REQUEST
SOLICITATION OF PUBLIC COMMENTS**

The State of California is proposing to expand Healthy Families program coverage to parents of eligible children through a Section 1115 SCHIP waiver request to the federal Health Care Financing Administration (HCFA).

This proposal will provide comprehensive health, dental and vision benefits through the Healthy Families Program to uninsured parents of children who enroll or are enrolled in the Healthy Families or Medi-Cal for Children programs up to 200 percent of the federal poverty level. It is anticipated that almost 300,000 parents will receive coverage through this initiative.

A copy of the State's request to HCFA is attached. Federal approval will provide the necessary federal match to fund this expansion.

All interested parties are encouraged to submit comments. The Agency will hold two public meetings to present the State's waiver request proposal and solicit public comment. These meetings are scheduled as follows:

January 16, 2001
9 am – 12 pm
Junipero Serra State Building
320 West 4th Street
Los Angeles, CA 90013

January 17, 2001
9 am – 12 pm
1st Floor Auditorium
714 P Street
Sacramento, CA 95814
(Joint MRMIB meeting)

Comments may also be submitted in writing. Written comments should be sent to CHHSA, 1600 Ninth Street, Room 450, Sacramento, CA 95814, or faxed to 916 654-3343. All written comments should be marked "Attn: HFP 1115 Waiver Comments" and should be received by close of business on Wednesday, January 31, 2001.

GRAY DAVIS
GOVERNOR



State of California

Health and Human Services Agency

December 19, 2000

GRANTLAND JOHNSON
SECRETARY

Donna Shalala
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

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Dear Secretary Shalala:

I am pleased to submit California's 1115 SCHIP waiver request which proposes to extend Healthy Families coverage to parents. We anticipate that our demonstration proposal will extend coverage for almost 300,000 parents. We believe that children's enrollment in health insurance will be enhanced by creating family-based coverage. Based on SCHIP allotment projections, we will likely have sufficient funds under Title XXI to extend coverage to parents in low-income families along with their children. Coverage will be provided to parents only to the extent that we have the financial resources to cover all eligible children.

Our goal is to implement parent coverage in July 2001. We would greatly appreciate an expeditious review and ultimate approval from HCFA of our proposal (attached). My staff are available to meet with your staff to address any questions. We look forward to working with you to expand coverage for California's parents.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Grantland Johnson".

GRANTLAND JOHNSON

Attachments

CALIFORNIA'S HEALTHY FAMILIES SCHIP 1115 DEMONSTRATION PROJECT

Background

California is proposing an 1115 Demonstration of S-CHIP to expand health care coverage for uninsured children and their families. A family-based approach will further increase enrollment for children. Family-based coverage not only increases the percent of eligible children covered, but also provides a necessary tool and peace of mind for working families without insurance.

According to 1999 Census Bureau data, 20 percent of Californians are uninsured — the fourth highest in the nation, compared to the national average of 16 percent. A significant percentage of California's working families, particularly those working in low-wage jobs, do not have access to insurance or, if they do, cannot afford it. Almost two-thirds of the uninsured are in families with full-time workers, and an additional 12 percent of the uninsured are in families with part-time workers.

The goal of California's proposal is to increase the number of eligible children enrolled in the State's health insurance programs by offering parent coverage. Through family-based coverage, California intends to support working families who are not offered health insurance or cannot afford it. About 40 percent of Californians are in families with incomes below 200 percent of poverty (\$34,100 for a family of four) and one-third of these low-wage families are uninsured.

California has already taken significant strides to covering the uninsured. The State offers a children's health insurance program, which is a combination of Medicaid (Medi-Cal for Children) and S-CHIP (Healthy Families Program).

In order to create smoother eligibility levels between the two programs, the State expanded Medi-Cal for Children (MCC) to all children through age 18 with family incomes at or below 100 percent of FPL (\$17,050 for a family of four). Previously, based on federal law which only required an age-level coverage of children born after September 30, 1983, Medi-Cal would not have fully covered children through age 18 until 2001. Recently, the state also expanded Medi-Cal coverage for the parents of these children.

California implemented the Healthy Families Program (HFP), effective July 1, 1998. Initially coverage was limited to uninsured children with family incomes above Medi-Cal levels and below 200 percent of the FPL. In November of 1999, eligibility for the HFP was expanded to 250 percent of FPL.

To align the programs, both MCC and HFP use similar eligibility rules (e.g. definition of family size and income), and provide a simplified joint mail-in application form. For example, in 1998, Medi-Cal waived the assets test for children in order to mirror

HFP eligibility rules. As of January 1, 2001, Medi-Cal will add continuous eligibility for one year for children to further align itself with HFP. California's "Single Point of Entry" screens all joint applications for income eligibility and routes applications to either:

- The appropriate county social service agency if the child appears eligible for Medicaid; or
- The HFP administrative vendor if a child appears eligible for HFP.

The HFP is modeled on the design features of employer-based health coverage. Children enrolled in the HFP are eligible for a comprehensive package of health, dental and vision benefits. Benefits provided to children in the HFP are "benchmarked" on benefits provided to state employees. Twenty-six health plans, five dental plans and one vision plan participate in the HFP. Parents select their children's plans from those available in a geographic area in which the child lives. An annual open enrollment period is held each spring during which parents may choose to move their child to a new health or dental plan.

For HFP, cost sharing is required for participation. Monthly premiums are \$4-\$9 per child per month (based on family income level and whether the family chooses to enroll their child in the discounted Community Provider Plan.) No family pays more than \$27 per month in premiums. Copayments of \$5 are charged on non-preventive and non-institutional services. The family maximum for copayments for health benefits is \$250 in a benefit year. American Indian and Alaskan Native eligible children are exempt from all cost sharing.

A 90-day period without insurance is required of children who were previously enrolled in employer-sponsored health coverage, with exceptions granted in limited circumstances, such as loss of a job.

California aggressively markets and conducts outreach for the MCC and HFP. In the Health and Human Services Agency, the Department of Health Services, in conjunction with the Managed Risk Medical Insurance Board (MRMIB), conducts a multi-faceted community outreach and education campaign to help families learn about, and apply for, MCC and HFP. This campaign is funded in 2000-01 at \$34 million and includes: \$16 million for media, \$6 million in contracts for community-based outreach, and almost \$2 million to target immigrant communities. In addition, the State provides a \$50 application assistance fee to community based organizations to assist families fill out the joint MCC/HFP application. The fee is paid when the child is successfully enrolled in either HFP or MCC.

By the end of State Fiscal Year 2000-2001, California will have spent (encumbered for allowable use) all of its \$83 million made available through the \$500 million TANF-Medicaid grant for welfare reform implementation.

Currently, Medi-Cal covers about 2.6 million children per month and the HFP covers about 360,000 children. Enrollment in the HFP is growing at 10,000-20,000 children per month.

Demonstration Objectives and California Experience

This demonstration proposal and the State's previous expansions were predicated on the fact that a family-based approach to coverage will further increase enrollment for eligible children in those families. Several recent studies of past Medicaid expansions across the states have found that family-based expansions have significantly increased the portion of eligible children covered compared to child-only expansions. A Tulane University study found that programs offering family-based expansions would enroll 75 percent of eligible children while the children-only expansions enroll only 45 percent of eligible children. The Center for Budget and Policy Priorities found similar results in its September 2000 study. It appears that parents may be more likely to apply and enroll their child if they themselves can enroll.

Although employer-based coverage is the predominant form of coverage for working families, California businesses are significantly less likely to offer their employees health insurance (48%) compared to businesses throughout the United States (61%) based on 1999 data. Of particular concern are workers in small businesses, which have the lowest rates of health insurance. A higher proportion (25%) of California workers are in small businesses compared to workers in small businesses nationwide (21%). Small businesses with low-wage workers are significantly less likely to offer their workers health insurance (25% in California and 38% for small businesses nationwide).

The median income in California is \$46,500. About 40 percent of California's population is in working families with incomes below 200 percent of FPL (\$34,100 for a family of four). Over one-third of these families are uninsured, compared to about 20 percent of all Californians.

Program Design

Eligibility for Families. Parents will be eligible for HFP to the extent that financial resources are available to fully cover eligible children first. California's Healthy Families Demonstration project will extend coverage through the Healthy Families Program (HFP) to parents of eligible children in families with incomes between 100 and 200 percent of the federal poverty level and parents with incomes below 100 percent of the federal poverty level who do not qualify for Medi-Cal (e.g. excess assets). Parents will qualify for Healthy Families without regard to family assets.

Most parents will be enrolled in the same program as their children. The exceptions will be for families with incomes between 100 to 133 percent of FPL with young children (below age 6), first-time parents of infants 0 to 1 with incomes 100 to 200 percent of FPL, and parents with incomes below 100 percent of the FPL who do not qualify for Medi-Cal. In these cases, the children eligible for Medi-Cal will be covered by Medi-Cal, as under current law. For example, children up to age 6 in these 100-133 percent families and infants age 0-1 of first-time parents will be covered by Medi-Cal while their parents will be eligible for HFP. In the 100 to 133 percent families, parents and children age 6 to 18 will receive health coverage through the HFP.

Those families and children currently eligible or enrolled in “share of cost” Medi-Cal with incomes above 100 percent of FPL but below the upper income limits can enroll in Healthy Families (which is current policy for children).

Currently, pregnant women and infants with incomes up to 200 percent of FPL are eligible for Medi-Cal. Under the proposal, if a mother was enrolled in HFP with her family and becomes pregnant, she could retain her HFP coverage. Her infant, when born would also be enrolled in HFP. The family will be informed that both the pregnant woman and the infant may enroll in Medi-Cal. Pregnant women with incomes below 200 percent of FPL who do not have any children (and thus would not be enrolled in HFP) would be enrolled in Medi-Cal as per current law.

Benefits. HFP parents would receive the current benchmark standard for HFP, namely the state employees’ benefit package, which includes dental and vision. Currently in HFP, certain children-specific benefits such as California Children’s Services (CCS) and Severe Emotional Disorders (SED) benefits for children are covered via “carve-out specialty networks”. CCS provides treatment for children’s specialized health conditions. Similar services for adults will be provided directly by health plans’ provider networks. Adult mental health services will also be provided directly by HFP health plans’ provider networks.

Cost Sharing. As with eligible children, families will enroll in health plans. For families in HFP, premiums will apply based on income category, the number and composition of the family. Premiums for HFP children will remain the same. HFP parents will pay premiums of \$20 or \$25 per adult based on the family’s income. HFP families at or below 150 percent of the FPL will pay \$20 per parent per month; those above 150 percent of the FPL will pay \$25 per parent per month.

Premium discounts for HFP parents will be consistent with those currently available to HFP children. For example, families that enroll in Community Provider Plans (CPP) will receive a \$3 per month discount for each family member. In addition, as is currently offered for HFP children, families that pay three months’ premiums in advance will receive the fourth month for free. Cost sharing will be waived for American Indian/Alaskan Native parents, as is currently done for AI/AN eligible children.

A HFP family of four selecting a CPP health plan will pay:
\$42 per month for HFP families with incomes at or below 150% of the FPL
(\$17 per parent x 2, + \$4 per child x 2=\$42)
\$56 per month for HFP families with incomes above 150% of the FPL
(\$22 per parent x 2, + \$6 per child x 2 =\$56)

A HFP family of four selecting a non-CPP health plan will pay:
\$54 per month for HFP families with incomes at or below 150% FPL
(\$20 per parent x 2, + \$7 per child x 2=\$54)
\$68 per month for families above 150% FPL
(\$25 per parent x 2, + \$9 per child x 2 =\$68)

Families with incomes at or below 150 percent FPL will pay premiums for a maximum of two children, with additional children in the family covered without cost. This results in maximum premiums for these families ranging from \$42 to \$54 per month depending upon choice of plan. Families with incomes above 150 percent FPL will pay premiums for a maximum of three children resulting in maximum premiums ranging from \$62 to \$77 per month.

Generally, co-payments for adult benefits and co-payment maximums will be consistent with those charged to state employees.

Preserving Employer Coverage. As with the current HFP policy, parents with employer-sponsored coverage in the past three months will not be eligible for HFP coverage.

Enrollment. Parents' enrollment for both Medi-Cal and Healthy Families will be added to the existing joint mail-in application. The counties will follow up with the Medi-Cal asset test for parents referred from the single point of entry. Healthy Families parents will have the same continuous eligibility between annual eligibility redeterminations as children currently do. Parents who are found ineligible for Medi-Cal may be eligible for Healthy Families. For example, parents with incomes below 100 percent FPL with assets above the Medi-Cal limits could qualify for Healthy Families, which will not have asset tests. To ensure continuity of care, the HFP will offer a bridge program similar to the current Medi-Cal one-month bridge program. HFP enrolled families who are found at re-determination to have income levels that qualify them for Medi-Cal will be provided two months additional HFP coverage to allow them to enroll in Medi-Cal. Two months is needed due to the time it takes to enroll in Medi-Cal.

The Healthy Families Demonstration will be implemented upon approval of the demonstration waiver with an intended start date of July 1, 2001. Meeting this implementation date will require Federal waiver approval by the end of February, 2001.

Authority

The state is requesting a waiver to expand the applicability of certain Title XXI provisions that, as enacted, apply only to children.

Title XXI, Section 2105(a) [42 USC sec. 1397ee(a)] states that, under Title XXI, states receive federal reimbursement for:

- (1) "child health assistance" under the plan for "targeted low-income children."
- (2)(A) payment for other "child health assistance" for "targeted low-income children."
- (2)(C) outreach under Section 2102(c)(1)[42 USC sec. 1397bb(c)(1)], which, in turn, addresses outreach for covering children under Title XXI.

California wishes to apply the reimbursement provisions of Section 2105(a) to benefits and outreach for parents as well as children.

Finally, Title XXI, Section 2105(c)(3) [42 USC sec. 1397ee(c)(3)] permits waivers for purchase of family coverage but requires that the adult coverage be "cost-effective." By contrast, the current waiver standards require "allotment neutrality" but not "cost-effectiveness." California seeks to waive Section 2105(c)(3), to the extent necessary to clarify that, in covering parents under Title XXI, the State may spend a greater proportion of its allotment than it would spend if it were covering only children.

Expected Benefits/Objectives

California is requesting this Title XXI 1115 Waiver because:

- Providing family coverage will increase the number of eligible targeted low-income children that enroll in coverage:
- Providing comprehensive health coverage will improve the health status of covered children and their families; and
- Providing coverage for families provides support to workers who are not offered health insurance or can not afford it.

Evaluation Method

Evaluation of this waiver will center on the State's success in increasing the enrollment of targeted low-income children based on family eligibility. This proposal will seek to demonstrate that a family-based approach promotes continuity of coverage and increases access to care. California will, in conjunction with HCFA:

- Develop and utilize a reporting format that tracks enrollment levels of targeted low-income children by income, ethnicity, geographic region and age before and during the waiver period.
- Develop and utilize a reporting format that tracks retention levels and the smooth transition between programs for families by income, ethnicity, geographic region and age before and during the waiver period.
- Analyze the take up rates of coverage based on the premium amount.

Attention will also be given to how the existence of parental coverage influences the health status changes of children enrolled in the HFP. The State will seek philanthropic support to expand the analyses scheduled as part of the HFP Health Status Assessment Project. This project seeks to measure changes in health status of children enrolled in the HFP.

Budget Neutrality

California is seeking to claim against the state's S-CHIP allotment for this waiver request. Budget neutrality for this waiver is predicated on the statutory limitation of state allotments under S-CHIP. The state's S-CHIP allotment will first be used to cover targeted low-income children, with the remainder used to cover the waiver expansion. Based on projections of California's allotments, the funding would be sufficient to fund both eligible children and the parent coverage expansion. Attached is the demonstration budget neutrality chart.

While California's allotment under Title XXI is estimated to be sufficient to cover the costs of this waiver request, the State views the Title XXI funding source as, at best, a temporary solution. The State applauds and encourages the federal Administration to continue to pursue the Family Care Initiative that would add funding to S-CHIP to assist states in extending health coverage to low-income uninsured working families.

Time Frame

California is seeking a five-year waiver.

Assurances

California offers the following assurances consistent with the guidance provided in the July 31, 2000 “Dear State Health Official” letter from the Department of Health and Human Services:

- Healthy Families Program has been running since July 1998;
- California currently provides coverage for children at least up to 200 percent of FPL;
- The Healthy Families Program does not have a waiting list for children;
- California has taken extensive action to ensure enrollment of eligible children including:
 - Elimination of the asset test for all children
 - A 12-month continuous eligibility period for all children covered under MCC and HFP
 - A single mail-in application process for MCC and HFP.
- California assures that higher income individuals will not be made eligible over lower-income individuals.
- California currently provides family coverage under the Medi-Cal 1931(b) program for families with incomes up to 100 percent of FPL.

Outreach Plan

To increase public awareness about the availability of health coverage for parents, it will be necessary to enhance the current HF/MCC Outreach campaign messages and communication tools. Current campaign materials are focused on children’s health coverage and do not include references to coverage for parents. Support services such as applicant assistant training and materials, toll-free line staff, and media relations including community events and media speaking tours will be enhanced to increase public awareness about the availability of coverage for parents.

The State will provide additional funds to enhance outreach through the school-based outreach programs. Numerous studies show that regular health care is vital to keeping children healthy and allows them to better concentrate, develop academically, and attend school ready to learn. Nationally, school outreach for the S-CHIP has shown to be a highly effective strategy. In California, significant enrollment activity has been demonstrated through school outreach for Healthy Families and Medi-Cal for Children (MCC). Schools tend to be the leading referral for HFP/MCC applications.

The payment of application assistance fees will continue to be a part of the outreach efforts, paying \$50 for enrollment per family enrolled. The State will modify the application assistance fee processing system so that Medi-Cal applications can be accurately tracked between the counties and the single point of entry and so that payments of fees are timely when a family is successfully enrolled. The current system can report and make payments on a timely basis for HFP, but it lacks the ability to sufficiently link with the county systems to identify when the county completes an eligibility determination after an application is sent to the county by the Single Point of Entry.

Public Process

Extensive public input has influenced and guided the creation and implementation of the HFP. The Health and Human Services Agency's MRMIB holds monthly public meetings at which all key policy issues are discussed and public testimony is solicited. The Healthy Families Advisory Panel, a 16 member statutorily created body, holds public meetings at which policy issues are discussed and community input is solicited. Notes from both these regularly held public forums are posted on the MRMIB website.

The public will have the opportunity to offer input regarding this waiver request at public meetings. Notice of the meetings will be sent to all persons and organizations on the MRMIB mailing list and will be posted on the MRMIB and DHS websites. Tribal consultation will be solicited through meeting with tribal leaders. Copies of the waiver request will be provided to all interested parties. The comment period for this waiver begins upon the date of submission of this waiver request. Comments will be received during the public notice period at public forums including the January MRMIB public meeting. Any modifications or clarifications made to this proposal as a result of public comments will be submitted to HCFA.

Timeline

12/2000:	Submit Waiver Request Proposal to HCFA
12/2000:	Begin public comment and hearing process for Proposal
12/2000:	Draft any legislation necessary to implement parental coverage
2/2001:	Federal waiver approval needed to meet 7/01 implementation
2/2001:	Finalize necessary HFP regulation changes
3/2001:	Finalize HFP contract negotiations with health, dental and vision plans for parental coverage
5/2001:	Finalize promotional and joint application materials for family coverage
6/2001:	Finalize administrative and enrollment system changes
6/2001:	Secure changes in state law to implement waiver proposal
7/2001:	Effective date of coverage for parents in HFP

7/2001: Begin running existing HF/MCC advertisements with a banner stating expanded family coverage available

**CALIFORNIA HEALTHY FAMILIES (SCHIP) 1115 WAIVER DEMONSTRATIO
TOTAL FEDERAL HEALTHY FAMILIES COST PROJECTIONS (PARENTS AND CHILDREN
(DEMONSTRATION BEGINS 7/1/2001**

Dollars in Millions Title XXI Program (SCHIP)	BASE YEARS			5 YEAR WAIVER					
	FFY 98	FFY 99	FFY 00	FFY 01	FFY 02	FFY 03	FFY 04	FFY 05	FFY 06
Federal Funds									
Total Title XXI Appropriation	\$ 4,295	\$ 4,275	\$ 4,275	\$ 4,275	\$ 3,150	\$ 3,150	\$ 3,150	\$ 4,050	\$ 4,050
Carryover funding	\$ -	\$ 853	\$ 1,636	\$ 1,617	\$ 1,502	\$ 1,278	\$ 1,084	\$ 805	\$ 639
CA Title XXI Allotment ^{1/}	\$ 855	\$ 851	\$ 766	\$ 736	\$ 542	\$ 542	\$ 542	\$ 697	\$ 697
Total Federal Funds Available	\$ 855	\$ 1,704	\$ 2,402	\$ 2,353	\$ 2,044	\$ 1,820	\$ 1,626	\$ 1,502	\$ 1,336
Est. HFP Child Costs-Benefits				\$ (267)	\$ (353)	\$ (391)	\$ (409)	\$ (430)	\$ (451)
Est. HFP Child Costs-Admin				\$ (30)	\$ (34)	\$ (36)	\$ (36)	\$ (37)	\$ (38)
Subtotal Est. HFP Child Costs ^{2/}	\$ (2)	\$ (68)	\$ (195)	\$ (297)	\$ (387)	\$ (426)	\$ (446)	\$ (467)	\$ (489)
Est. HFP Parent Costs-Benefits				\$ (27)	\$ (148)	\$ (287)	\$ (359)	\$ (379)	\$ (296) ^{3/}
Est. HFP Parent Costs-Admin				\$ (3)	\$ (12)	\$ (15)	\$ (16)	\$ (16)	\$ (12) ^{3/}
Subtotal Est. HFP Parent Costs ^{2/}	\$ -	\$ -	\$ -	\$ (30)	\$ (160)	\$ (302)	\$ (376)	\$ (396)	\$ (309) ^{3/}
Balance	\$ 853	\$ 1,636	\$ 2,207	\$ 2,026	\$ 1,496	\$ 1,092	\$ 805	\$ 639	\$ 538
Federal Allotment Returned	\$ -	\$ -	\$ 590	\$ 524	\$ 218	\$ 8	\$ -	\$ -	\$ -
Final Balance	\$ 853	\$ 1,636	\$ 1,617	\$ 1,502	\$ 1,278	\$ 1,084	\$ 805	\$ 639	\$ 538

ANALYSIS:

The demonstration project will begin July 1, 2001. The five-year demonstration expansion starts in the last three months of FFY01 and extend through nine months of FFY06 (June 2006).

^{1/} California Title XXI Allotments from FFY 01 - FFY 06 are estimates. Actual California allotments are not yet available until each year's Title XXI Appropriation is available.

^{2/} HFP Expenditure Projections reflect federal funding costs (66% match rate).

^{3/} Estimated expansion costs for FFY06 reflect the adjusted 9-month cost from 10/05-06/06.

S-CHIP 1115 DEMONSTRATION PROJECT

Expansion of Health Coverage to Parents

